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June 27, 1997

BY HAND DELIVERY

FCC/MELLOIN JUN 27 1997

William F. Caton
Acting Secretary
Federal Communications Commission
International Bureau - Telecommunications
P.O. Box 358115
Pittsburgh, PA 15251-5115

**Re: Application Under Section 214 of the
Communications Act of 1934 for Transfer of Control
of Consolidated Communications Telecom Services, Inc.
from Consolidated Communications Inc.
to McLeodUSA Incorporated**

Dear Mr. Caton:

Enclosed for filing are an original and five copies of an application pursuant to Section 63.18(e)(5) of the Commission's Rules, 47 C.F.R. § 63.18(e)(5), for Commission consent to transfer the control of Consolidated Communications Telecom Services, Inc., which holds a Section 214 Certificate, from Consolidated Communications Inc. ("Consolidated") to McLeodUSA Incorporated ("McLeod"). Also enclosed is a check in the amount of \$745 to cover the applicable filing fee and a Form 159.

This application is part of a larger transaction between McLeod and Consolidated, which have entered into an Agreement and Plan of Merger. Pursuant to that Agreement, McLeod has formed a wholly-owned subsidiary, Eastside Acquisition Co. ("Eastside"). Upon receipt of necessary regulatory approvals, Consolidated will merge with and into Eastside with Eastside surviving and being renamed Consolidated Communications Inc. ("New Consolidated"). Thereafter, Consolidated's subsidiaries will continue to operate as wholly-owned

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William F. Caton
Acting Secretary
June 27, 1997
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subsidiaries of McLeod. This transaction will serve the public interest because the combined companies will be better able to provide high-quality telecommunications services at competitive prices.

Because of the number of separate filings involved in this transaction, the parties request a joint Public Notice of all the applications related to the transaction. Susan O'Connell in the International Bureau has agreed to coordinate the Public Notice for the applications.

Please address any questions concerning Consolidated to Veronica Ahern and J. Breck Blalock of Nixon, Hargrave, Devans & Doyle, L.L.P. at (202) 457-5300. Questions regarding McLeod should be addressed to the undersigned.

Respectfully submitted,

HOGAN & HARTSON L.L.P.

By: 
Karis A. Hastings
Eric H. Loeb
Counsel for
McLeodUSA Incorporated

Enclosures

cc: Susan O'Connell, International Bureau

FEDERAL COMMUNICATIONS COMMISSION

FCC REMITTANCE ADVICE

Approved by OMB
3080-0589
Expires 2/28/97

PAGE NO. 1 OF 1

(RESERVED)

SPECIAL USE

FCC USE ONLY

(Read instructions carefully BEFORE proceeding.)

PAYOR INFORMATION

(1) FCC ACCOUNT NUMBER

Did you have a number prior to this? Enter it.

(2) TOTAL AMOUNT PAID (dollars and cents)

0	4	2	1	4	0	7	2	4	2											\$	745	.00
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(3) PAYOR NAME (If paying by credit card, enter name exactly as it appears on your card)

McLeodUSA Incorporated

(4) STREET ADDRESS LINE NO. 1

McLeodUSA Technology Park

(5) STREET ADDRESS LINE NO. 2

6400 C Street, S.W., P.O. Box 3177

(6) CITY

Cedar Rapids

(7) STATE

IA

(8) ZIP CODE

52406-3177

(9) DAYTIME TELEPHONE NUMBER (Include area code)

319-364-000

(10) COUNTRY CODE (If not U.S.A.)

ITEM #1 INFORMATION

(11A) NAME OF APPLICANT, LICENSEE, REGULATEE, OR DEBTOR

Consolidated Communications Telecom Services Inc.

FCC USE ONLY

(12A) FCC CALL SIGN/OTHER ID

File No. ITC-92-235

(13A) ZIP CODE

61938

(14A) PAYMENT TYPE CODE

C U T

(15A) QUANTITY

1

(16A) FEE DUE FOR
PAYMENT TYPE CODE
IN BLOCK 14
\$ 745.00

(17A) FCC CODE 1

(18A) FCC CODE 2

(19A) ADDRESS LINE NO. 1

(20A) ADDRESS LINE NO. 2

(21A) CITY/STATE OR COUNTRY CODE

ITEM #2 INFORMATION

(11B) NAME OF APPLICANT, LICENSEE, REGULATEE, OR DEBTOR

FCC USE ONLY

(12B) FCC CALL SIGN/OTHER ID

(13B) ZIP CODE

(14B) PAYMENT TYPE CODE

(15B) QUANTITY

(16B) FEE DUE FOR
PAYMENT TYPE CODE
IN BLOCK 14
\$

(17B) FCC CODE 1

(18B) FCC CODE 2

(19B) ADDRESS LINE NO. 1

(20B) ADDRESS LINE NO. 2

(21B) CITY/STATE OR COUNTRY CODE

CREDIT CARD PAYMENT INFORMATION

(22) MASTERCARD/VISA ACCOUNT NUMBER:

☐

Mastercard

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EXPIRATION DATE:

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Month

Year

☐

Visa

AUTHORIZED SIGNATURE

DATE

(23) I hereby authorize the FCC to charge my VISA or Mastercard for the service(s)/authorization(s) herein described.

See public burden estimate on next page.

FCC FORM 159
April 1994

OUR REFERENCE NUMBER	YOUR INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT	NET AMOUNT



TOWN CENTRE, SUITE 500
221 THIRD AVE., SE.
CEDAR RAPIDS, IA 52401

FIRSTAR BANK IOWA, N.A.
DES MOINES, IOWA 50309
CEDAR RAPIDS - DOWNTOWN OFFICE
33-54-730

36

032749

DATE	CONTROL NO.	AMOUNT
6/25/97	032749	\$745.00

THE SUM Seven Hundred Forty Five Dollars and No/100

PAY
TO THE
ORDER OF F C C

VOID AFTER 6 MONTHS
AUTHORIZED REPRESENTATIVE

⑈032749⑈ ⑆073000545⑆ ⑈121372 742⑈ CHIEF FINANCIAL OFFICER

MP
Security mark
included.
Details on back

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
McLeodUSA Incorporated,)
Consolidated Communications Inc.,)
and Consolidated Communications)
Telecom Services Inc.)
)
Application for Transfer of Control of)
Common Carrier Holding Authorization)
Under Section 214 of the Communications)
Act of 1934, as Amended)

File No. _____

To: Chief, International Bureau

APPLICATION

McLeodUSA Incorporated ("McLeod"), Consolidated Communications Inc. ("Consolidated") and Consolidated Communications Telecom Services Inc. (jointly, the "Applicants"), hereby request authority of the Federal Communications Commission ("FCC" or "Commission"), pursuant to Section 214 of the Communications Act of 1934, 47 U.S.C. § 214, and Section 63.18(e)(5) of the Commission's Rules, 47 C.F.R. § 63.18(e)(5), for the transfer of control of Consolidated Communications Telecom Services Inc. ("CCTS"), a common carrier holding a Section 214 authorization, from Consolidated to McLeod.

This transfer of control will occur as part of a transaction whereby Consolidated and its subsidiaries will become the direct and indirect subsidiaries of McLeod. Under the terms of an Agreement and Plan of Merger ("Agreement") among the parties, McLeod has formed Eastside Acquisition Co. ("Eastside"), a

wholly-owned subsidiary incorporated in Delaware. Consolidated will merge with and into Eastside, with Eastside surviving. Eastside will be renamed Consolidated Communications Inc. ("New Consolidated"). After the transaction, CCTS will be a wholly-owned subsidiary of New Consolidated, which in turn will be a wholly-owned subsidiary of McLeod. The efficiencies created by this transaction will have no negative impact on the operations of CCTS, and the changed corporate structure will be transparent to customers.

Grant of this Application will serve the public interest, convenience and necessity. This transfer of control will allow the Applicants to manage their combined telecommunications operations more efficiently, permitting greater investment in facilities, customer services and technological innovation. Further, the combination of Consolidated and McLeod will provide the customers of those entities with a more diverse and comprehensive selection of services from a single vendor. This transaction will ensure continued provision of international long distance services to CCTS's existing customers and should promote competition and lower prices in the international long distance services market.

I. THE PARTIES

A. Consolidated Communications Inc.

Consolidated is a privately-held corporation organized and existing under the laws of the State of Illinois with its principal office in Mattoon, Illinois. Consolidated is a holding company for several corporations engaged in the provision of telecommunications products and services. CCTS is a nondominant carrier and

holds an authorization under Section 214 to resell international switched services granted in File No. ITC-92-235. 1/

Information concerning Consolidated's legal, technical, managerial and financial qualifications to provide service was submitted with CCTS's Section 214 application and is therefore already a matter of record at the Commission.

B. McLeodUSA Incorporated

McLeod is a publicly traded corporation (NASDAQ; symbol: MCLD) organized and existing under the laws of the State of Delaware. McLeod's principal offices are located in Cedar Rapids, Iowa. McLeod is a provider of a broad range of telecommunications products and services to small and medium-size business and residential customers and government agencies. McLeod's services include primarily competitive local and long distance telecommunications services, competitive access services, including special access and private line services, and maintenance and installation services of fiber optic telecommunications networks. Pursuant to a certificate issued by this Commission in File No. ITC-93-311, McLeod, through its subsidiary McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), formerly known as McLeod Telemanagement, Inc., is authorized to resell international switched services.

1/ The certificate in File No. ITC-92-235 was originally granted to Consolidated Network Inc., the predecessor of CCTS. The Commission was notified of the change in name from Consolidated Network Inc. to Consolidated Communications Telecom Services Inc. by letter dated June 26, 1996.

Information concerning McLeod's legal, technical, managerial and financial qualifications to provide service was submitted with McLeodUSA's Section 214 application and is therefore a matter of record at the Commission.

II. DESCRIPTION OF THE TRANSACTION

McLeod and Consolidated have determined that they will realize significant economic and marketing efficiencies through a transaction by which Consolidated will merge with a wholly-owned subsidiary of McLeod. Accordingly, on June 14, 1997, McLeod and Consolidated executed an Agreement and Plan of Merger ("Agreement"). Pursuant to the Agreement, McLeod has formed Eastside, a wholly-owned Delaware corporation, for the purpose of consummating the proposed reorganization. Consolidated will merge with and into Eastside, with Eastside surviving. Eastside will then be renamed Consolidated Communications Inc. ("New Consolidated"). All subsidiaries of Consolidated will remain subsidiaries of New Consolidated. At the effective time of the merger, \$155 million in cash and approximately 8.5 million shares of McLeod Class A Common Stock (\$0.01 par value) will be distributed to the owners of Consolidated Common and Preferred Stock. Specifically, each share of Consolidated Series A Preferred Stock will be exchanged for approximately 4.5 shares of McLeod Class A Common Stock, and each share of Consolidated Series B Preferred Stock will be exchanged for approximately 4.5 shares of McLeod Class A Common Stock. Consolidated Common Stock will be exchanged for a mix of cash and McLeod Class A Common Stock, which exact mix will be elected by each shareholder of Consolidated Common Stock.

As a result of the reorganization, Consolidated will become a wholly owned subsidiary of McLeod. Mr. Richard A. Lumpkin, Chairman and Chief Executive Officer of Consolidated, will become Vice Chairman of the McLeod Board of Directors, and Mr. Robert J. Currey, President and Chief Operating Officer of Consolidated, will become a member of the McLeod Board. Mr. Currey will serve as an Executive Officer of McLeod, responsible for all telephone operations for McLeod. CCTS will continue to be a wholly owned subsidiary of New Consolidated, operating under its current name, and will remain the Section 214 certificate holder.

III. REQUEST FOR TRANSFER OF CONTROL

Pursuant to Section 63.18(e)(5) of the Commission's Rules, the Applicants set forth the following information:

(a) The name, address and telephone number of Applicants are:

McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street, S.W.
P.O. Box 3177
Cedar Rapids, Iowa 52406-3177
Tel: (319) 364-0000

Consolidated Communications Inc.
Consolidated Communications Telecom Services Inc.
121 South 17th Street
Mattoon, IL 61938
Tel: 217-235-4456

**(b) McLeod is a corporation organized and existing under the laws of the State of Delaware.
Consolidated is a corporation organized and existing under the laws of the State of Illinois.**

(c) Correspondence concerning this Application should be addressed to:

For the transferee:

Casey D. Mahon
Senior Vice President and General Counsel
McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street, SW
P.O. Box 3177
Cedar Rapids, Iowa 52406-3177
Tel: (319) 364-0000

with a copy to:

Karis A. Hastings
Eric H. Loeb
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004-1109
Tel: (202) 637-5600

For the transferor:

J. Lyle Patrick
Chief Financial Officer
Consolidated Communications Inc.
121 South 17th Street
Mattoon, Illinois 61938
Tel: 217-235-4456

with a copy to:

Veronica M. Ahern
J. Breck Blalock
Nixon Hargrave Devans & Doyle, L.L.P.
Suite 700
One Thomas Circle, N.W.
Washington, D.C. 20005
Tel: 202-457-5518

- (d) CCTS, a wholly-owned subsidiary of Consolidated formerly known as Consolidated Network Inc., is authorized to resell international switched services pursuant to the Section 214 authorization granted in File No. ITC-92-235.

McLeod's subsidiary McLeodUSA Telecommunications Services,

Inc., formerly known as McLeod Telemanagement, Inc., is authorized to resell international switched services pursuant to the Section 214 authorization granted in File No. ITC-93-311.

- (e) (5) Applicants request authority for the transfer of control of CCTS, a common carrier holding an international Section 214 authorization, pursuant to the terms and conditions of § 63.18(e)(5) of the Commission's Rules.
- (f) No response required.
- (g) No response required.
- (h) (1) McLeod and Consolidated hereby certify that neither entity has an affiliation with a foreign carrier within the meaning of § 63.18(h)(1) of the Commission's Rules.

(2) CCTS will be a wholly-owned subsidiary of New Consolidated, a Delaware corporation, which in turn will be a wholly-owned subsidiary of McLeod. Information regarding the principal shareholders of McLeod is provided in Exhibit A, attached. The primary business of New Consolidated and McLeod is telecommunications services. No director of New Consolidated or McLeod holds an interlocking directorship.
- (i) McLeod hereby certifies that it has not agreed to accept special concessions directly or indirectly from any foreign carrier or administration with respect to traffic or revenue flows between the U.S. and any foreign country which McLeod may serve under the authority granted under this part, and will not enter into such agreements in the future.
- (j) The Applicants hereby certify that no party to this application, as defined in 47 C.F.R. § 1.2002(b), is subject to denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853(a).

IV. CONCLUSION

Accordingly, the Applicants respectfully request that the Commission authorize the transfer of control described herein.

Respectfully submitted,

Consolidated Communications Inc.

By: 

J. Lyle Patrick
Chief Financial Officer
Consolidated Communications Inc.
121 South 17th Street
Mattoon, Illinois 61938

Veronica M. Ahern
J. Breck Blalock
Nixon Hargrave Devans & Doyle, L.L.P.
Suite 700
One Thomas Circle, N.W.
Washington, D.C. 20005
Tel: 202-457-5518

Attorneys for Consolidated
Communications Inc.

Dated: June 24, 1997

McLeodUSA Incorporated

By: 

Casey D. Mahon
Senior Vice President and General
Counsel
McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street, SW
P.O. Box 3177
Cedar Rapids, Iowa 52406-3177

Karis A. Hastings
Eric H. Loeb
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004
Tel: (202) 637-5600

Attorneys for McLeodUSA Incorporated

EXHIBIT A

The current ten percent or greater shareholders of McLeod are as follows:

1. IES Investments Inc., a wholly-owned subsidiary of IES Industries Inc. ("IES"), 200 1st Street, S.E., Cedar Rapids, Iowa 52401. IES and IES Investments Inc. are U.S. corporations. IES is an electric utility company.
2. MWR Investments Inc., a wholly-owned subsidiary of MidAmerican Energy Holdings Company ("MidAmerican"), 500 E. Court Ave., Des Moines, Iowa 50309. MidAmerican and MWR Investments Inc. are U.S. corporations. MidAmerican is an electric utility company.
3. Clark E. McLeod and his wife Mary E. McLeod, c/o McLeodUSA Incorporated, McLeodUSA Technology Park, 6400 C Street, S.W., P.O. Box 3177, Cedar Rapids, Iowa 52406-3177. Mr. and Mrs. McLeod are U.S. citizens. Neither Mr. McLeod nor Mrs. McLeod individually holds ten percent or more of McLeod's stock, but their combined holdings exceed ten percent.

As part of the transaction described herein, new shares of McLeod stock will be issued to existing holders of Consolidated common stock. As a result, the interests of the above McLeod shareholders will be diluted when the merger is consummated. McLeod does not currently anticipate that the issuance of McLeod stock to Consolidated shareholders will result in any new ten percent or greater shareholders of McLeod.